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Press Release

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**ATTORNEY GENERAL DARRELL V. MCGRAW, JR. ANNOUNCES
THAT WEST VIRGINIA HAS SETTLED WITH HOUSEHOLD FINANCE –
1,500 WEST VIRGINIANS COULD RECEIVE UP TO \$1,500,000.00**

In a landmark settlement that will set new standards for the lending industry, mortgage lender Household Finance Corporation has agreed with state regulators to change its lending practices. Household also agreed to pay up to \$484 million to consumers nationally, \$1,500,400.00 to West Virginia consumers – for alleged unfair and deceptive lending practices in the "subprime" market. State officials said the settlement specifies that the restitution fund could range from \$387.5 million up to \$484 million, depending on participation by states. They expect almost all states to participate and that the restitution total will be at or close to the \$484 million level. Each state's share of the restitution fund will be proportional to the state's percentage share of Household's total real estate loan secured dollar volume. The restitution amount is believed to be the largest ever in a state or federal consumer case.

The multi-state investigation alleged that Household failed to properly inform consumers of loan costs and insurance premiums that were included in their loans. The state further alleged that borrowers were misled to believe they were receiving interest rates of about seven or eight percent, when they were actually charged nearly twice that much. Borrowers also complained that they were charged costly prepayment penalties that were not clearly disclosed to them. In many cases, borrowers' monthly payment jumped dramatically and some consumers were at risk of losing or did lose their homes.

Under the settlement, Household agreed to:

Pay up to \$484 million in restitution to consumers nationwide.

Limit prepayment penalties on current and future loans to only the first two years of a loan.

Ensure that new loans actually provide a benefit to consumers prior to making the loans.

Limit up-front points and origination fees to 5%.

Reform and improve disclosures to consumers.

Reimburse states to cover the costs of the investigations into Household's practices.

Eliminate "piggyback" second mortgages.

State officials said Household cooperated in the case when the States presented their concerns. The company worked quickly with the multi-state group – over a period of about four months – to develop and negotiate solutions to the practices identified by the states. State officials said Household heard the message of the states and moved to a settlement that will set standards for the industry. The settlement includes Household Finance Corp., Household Realty Corp., and Beneficial Finance Corp. Household is based in Prospect Heights, Illinois.

"Home ownership is one of Americans' most treasured dreams. In this predatory lending case, people were lured into loans on terms that quickly threatened to turn their dreams into nightmares. This settlement is intended to correct abuses and set standards for the home lending industry," said Attorney General McGraw.

Under the settlement, West Virginia consumers could receive up to \$1,500,400.00 in total restitution. Approximately 1,500 West Virginia consumers took out real estate loans with Household since 1999, the year the states allege the problem practices began.

The details of the settlement and the process by which consumers can apply for restitution are being finalized and will be announced at a later date. The written settlement announced today between Household and the States will be contained in consent decrees to be presented to state courts throughout the country. Each state will design its own restitution plan, since lending practices by Household varied significantly from state to state.

If you have any questions regarding the refund procedure or the Household Finance settlement, please call Attorney General McGraw's Consumer Protection Division at 1-800-368-8808 or 304-558-8986.

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